— *Computers, Terminals and Peripherals*: Intelligent CRTs, graphics terminals, data communications products and analyzers (including networking systems); nonimpact printers, telex terminals, etc.

— *Board Level Products and Components*: 8 and 16 bit micro-processors, board level products, and hardware components.

It should be noted that the above categories by no means cover all the product types offered by respondent Canadian companies. A complete list of companies and the products they consider suitable for the U.S. market is provided in the Appendix. Any meaningful information obtained on listed or non-listed products is included in this report if it appeared that the information would be of use to the computer industry in Canada.

Approximately fifty percent of responding Canadian companies have some form of distribution arrangement in the Southwestern U.S.A. A number of distributors currently handling Canadian products are interviewed later in the study.

## 1.3 FORMAT OF THE REPORT

*The first part of the report (sections 2 and 3) consists of:*

— An overview of computer production in the United States together with a review of current and future trends in manufacturing and pricing in U.S. domestic markets for the products selected for this study. An outline of major importing trends is included.

— An examination of the Southwestern market for computer production. The importance of California in U.S. and world computer production and technology. The Southwestern U.S. potential customer base for computer hardware and software products, whether manufactured domestically or imported. The information obtained made it possible to compare the relative importance of the various potential marketing centers nominated for the study and to determine the most effective marketing centers for Canadian marketing activities.

*The second part of the report consists of sections 4 to 9:*

These sections contain the results of the fieldwork we completed and include the following:

— Extensive interviews with each of the three potential customer industry groups identified in the "terms of reference" conducted to obtain information on the extent of products manufactured and sold, attitudes to new supply sources, future product trends, current buying habits, and knowledge of Canadian potential and products.

— Assessments of Canadian potentials for supplying each industry category.

— An analysis of distribution methods used by hardware and software manufacturers in the market areas.

— An overview of the possibilities of sales of Canadian hardware and software to retailers in the Southwestern market area, together with retailing trends.

— An examination of Canada's strengths and weaknesses as a U.S. export supplier and an assessment of Canadian market penetration in the · Southwestern U.S. market area.

*The third part of the report* (sections 10 to 14) covers pricing products for the Southwestern U.S. market, potential business with Canadian/U.S. defense contractors, a comparison of the various promotional methods available to Canadian companies, questions relating to documentation and tariffs, and alternative freight methods and costs.

*The fourth part of the report* (sections 15 and 16) contains the market strategies developed for the products covered by the study intended to assist Canadian manufacturers to penetrate the Southwestern U.S. market successfully. This section also contains a summary and conclusions.

*The Appendix* contains further information on trade shows, publications, tariffs, and other information designed to assist Canadian companies to make effective plans to market their products or services.

## 1.4 INFORMATION GATHERING

The following methods have been used to gather information for this study:

— Statistical analysis to determine the market size, market potential, and growth patterns for the computer industry in the U.S. and in the market areas; also to gauge the volume and changing patterns of computer exports to the U.S.

— Controlled questionnaire mailings to 450 companies in computer systems manufacturing, turnkey systems, and hardware and software distribution categories followed by tabulation of the information obtained in each case.

— Individual telephone interviews with 80 companies from the above categories plus the retail computer category together with selected personal visits in the market areas.

— Evaluation of all the information obtained to build an effective picture of the potential the market offers using our own knowledge of the Southwestern U.S. market and input from a variety of industry sources to provide effective market strategies.